103D CONGRESS 2D SESSION

S. 1996

To amend title XVIII of the Social Security Act to provide medicare beneficiaries a choice among health plans, and for other purposes.

IN THE SENATE OF THE UNITED STATES

March 25 (legislative day, February 22), 1994

Mr. Durenberger introduced the following bill; which was read the first time

A BILL

- To amend title XVIII of the Social Security Act to provide medicare beneficiaries a choice among health plans, and for other purposes.
 - 1 Be it enacted by the Senate and House of Representa-
 - 2 tives of the United States of America in Congress assembled,
 - 3 SECTION 1. SHORT TITLE.
 - 4 This Act may be cited as the "Medicare Choice Act
 - 5 of 1994".
 - 6 SEC. 2. PURPOSE.
 - 7 The purpose of this Act is to provide better health
 - 8 care to medicare beneficiaries at less cost by giving such
 - 9 beneficiaries meaningful choices among health plans com-
- 10 peting on the basis of price and quality.

1	SEC. 3. MEDICARE CHOICE.
2	(a) In General.—Section 1876 of the Social Secu
3	rity Act (42 U.S.C. 1395mm) is amended to read as
4	follows:
5	"MEDICARE CHOICE
6	"Sec. 1876. (a) Establishment of Medicare
7	MARKET AREAS.—The Secretary shall establish various
8	medicare market areas within the United States in such
9	manner as to—
10	"(1) ensure that each individual entitled to ben
11	efits under part A and enrolled under part B, or en
12	rolled under part B only, resides in a medicare mar
13	ket area,
14	"(2) maintain all portions of each metropolitar
15	statistical area within one medicare market area
16	and
17	"(3) maximize the number of such individuals
18	who will have the opportunity for a meaningfu
19	choice among competing medicare health plans
20	under contract with the Secretary under this section
21	"(b) MEDICARE HEALTH PLANS.—
22	"(1) CONTRACTS WITH MEDICARE HEALTH
23	PLANS.—The Secretary shall enter into a contract
24	with any medicare health plan desiring to do busi
)5	nace in a madicara markat area and to receive nav

ment under this section, but only if the Secretary

1	certifies that such plan meets the requirements of
2	paragraph (2).
3	"(2) CERTIFICATION REQUIREMENTS.—Each
4	medicare health plan must—
5	"(A) except as provided in paragraph (3),
6	provide those services covered by this title
7	(hereafter in this section referred to as 'medi-
8	care benefits') when medically necessary for a
9	uniform monthly premium for a year;
10	"(B) not discriminate against beneficiaries
11	based on their health status, claims experience,
12	medical history, or other factors that are gen-
13	erally related with utilization of health care
14	services;
15	"(C) demonstrate the ability to provide
16	medicare benefits to all potential enrollees
17	throughout the medicare market area, unless
18	the Secretary determines it appropriate for such
19	plan to target unique community needs within
20	the medicare market area;
21	"(D) demonstrate financial solvency;
22	"(E) have arrangements, established in ac-
23	cordance with regulations prescribed by the
24	Secretary, for an ongoing quality-assurance pro-

1	gram for the health care services such plan pro-
2	vides to such beneficiaries, which program—
3	"(i) stresses health outcomes, and
4	"(ii) provides review by physicians
5	and other health care professionals of the
6	process followed in the provision of such
7	health care services;
8	"(F) meet the requirement of section
9	1866(f) (relating to maintaining written policies
10	and procedures respecting advance directives);
11	"(G) not operate any compensation ar-
12	rangement between such plan and a physician
13	or physician group that may directly or indi-
14	rectly have the effect of reducing or limiting
15	services provided with respect to enrollees in
16	such plan (hereafter in this subparagraph such
17	arrangement shall be referred to as a 'physician
18	incentive plan'), unless the following require-
19	ments are met:
20	"(i) No specific payment is made di-
21	rectly or indirectly under the physician in-
22	centive plan to a physician or physician
23	group as an inducement to reduce or limit
24	medically necessary services provided with

respect to a specific enrollee in the medi-1 2 care health plan. 3 "(ii) If the physician incentive plan places a physician or physician group at 4 5 substantial financial risk (as determined by the Secretary) for services not provided by 6 the physician or physician group, the medi-7 care health plan— 8 "(I) provides stop-loss protection 9 for the physician or physician group 10 11 that is adequate and appropriate, based on standards developed by the 12 13 Secretary that take into account the 14 number of physicians placed at such 15 substantial financial risk under the physician incentive plan and the num-16 17 ber of enrollees in the medicare health plan who receive services from the 18 19 physician or the physician group, and "(II) conducts periodic surveys of 20 21 both enrollees and former enrollees in 22 the medicare health plan to determine 23 the degree of access of such enrollees

to services provided by the medicare

1	health plan and caticfaction with the
	health plan and satisfaction with the
2	quality of such services;
3	"(H) collect and provide such standard in-
4	formation as the Secretary shall prescribe by
5	regulation as necessary to evaluate the perform-
6	ance and quality of such plan, including en-
7	rollee satisfaction, to compare such performance
8	and quality with competing plans, and to pre-
9	pare comparative materials for distribution to
10	beneficiaries;
11	"(I) demonstrate the ability to integrate
12	additional benefits into such plan for qualified
13	medicare beneficiaries; and
14	"(J) offer the supplementary coverage
15	plans established by the Secretary under sub-
16	section (g)(3)(B).
17	"(3) Cost-sharing.—
18	"(A) ACTUARIALLY EQUIVALENT MEDI-
19	CARE BENEFITS.—Each medicare health plan
20	must offer either—
21	"(i) medicare benefits, including the
22	cost-sharing requirements otherwise pro-
23	vided in this title; or
24	"(ii) actuarially equivalent medicare
25	benefits, as established by the Secretary in

1	regulations, which are medicare benefits
2	but with cost sharing requirements that
3	are actuarially equivalent to the cost-share
4 .	ing requirements otherwise provided in this
5	title and consistent with common practices
6	among health maintenance organizations
7	and other managed care health plans.
8	In establishing actuarially equivalent medicare
9	benefits, the Secretary shall not include in the
10	calculation any charge in costs associated with
11	alternative forms of health care delivery, man
12	agement, or utilization control.
13	"(B) Out-of-network cost-sharing.—
14	Each medicare health plan may offer a point of
15	service option for which the plan may require
16	enrollees to pay higher cost-sharing for services
17	than is otherwise required by this title (or re-
18	quired in the actuarially equivalent alternative
19	if—
20	"(i) the plan maintains relationships
21	with affiliated providers for all medicare
22	benefits that would not require higher cost
23	sharing; and
24	"(ii) the plan provides enrollees with
25	such information.

"(4) CAPACITY LIMITS.—Each medicare health 1 plan shall accept up to the limits of its capacity (as 2 3 determined by the Secretary) and without restric-4 tions (except as may be authorized by regulation) 5 beneficiaries that may enroll in the plan on a first-6 come first-served basis, unless to do so would result 7 enrollees in the enrollment of substantially 8 nonrepresentative (as determined by regulation) of 9 the population in the medicare market area served 10 by such plan. 11

"(c) EMPLOYER-SPONSORED HEALTH PLANS.—

"(1) CRITERIA FOR CERTIFICATION.—The Secretary shall prescribe, by regulation, criteria for certifying medicare health plans sponsored by employers which will be offered only to current or former employees, including requirements that such health plans—

"(A) provide benefits that cover at least those services covered by this title at a premium for the enrollee that does not exceed the base beneficiary premium (as defined pursuant to subsection (f)); and

"(B) are available to all eligible current and former employees in the medicare market area.

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"(2) SECONDARY PAYER COVERAGE.—To be certified under paragraph (1), employer-sponsored health plans shall accept, at the option of individuals eligible only for secondary coverage under this title pursuant to section 1862(b), a fixed monthly payment from the Secretary to provide such individuals coverage at least actuarially equivalent to the secondary coverage available to such individuals under this title.

"(d) Managing Medicare Choice.—

"(1) Medicare health plan premiums.—By August 1 of each calendar year (beginning in 1995), each medicare health plan or employer-sponsored health plan under contract pursuant to subsection (b) or (c) shall submit to the Secretary the monthly premium that such plan intends to charge in such year.

"(2) ANNUAL OPEN ENROLLMENT.—

"(A) IN GENERAL.—The Secretary shall provide for an annual open enrollment period, and may take into consideration existing employer enrollment periods, during which all individuals entitled to benefits under part A and enrolled under part B, or enrolled under part B only, residing in a medicare market area—

1	"(i) shall choose enrollment for the
2	next calendar year in—
3	"(I) a medicare health plan in
4	such area,
5	"(II) an employer-sponsored
6	health plan, or
7	"(III) coverage otherwise pro-
8	vided under this title (hereafter in this
9	section referred to as 'medicare fee-
10	for-service'), and
11	"(ii) may choose supplementary bene-
12	fits offered by such health plan or a medi-
13	care supplemental policy (certified under
14	section 1882).
15	"(B) SECONDARY PAYER.—Individuals who
16	are eligible for secondary coverage under this
17	title pursuant to section 1862(b), may not en-
18	roll in a medicare health plan but may enroll in
19	an employer-sponsored health plan, to which the
20	Secretary shall make a monthly payment, pur-
21	suant to subsection (e)(2)(C).
22	"(C) Period of enrollment.—
23	"(i) In general.—Except as pro-
24	vided in clauses (ii), (iii), and (iv), an indi-
25	vidual may not choose another enrollment

1 until the next annual period provided 2 under subparagraph (A). 3 ENROLLMENT "(ii) UPON ELIGI-BILITY.—The Secretary shall provide an 4 5 enrollment period of 30 days to any indi-6 vidual beginning 30 days before the date 7 such individual first becomes entitled to benefits under part A or enrolled under 8 9 part B only. Such enrollment shall be ef-10 fective on the date of such entitlement. "(iii) TERMINATION OF PLAN.—If a 11 12 contract for a medicare health plan under this section is terminated during any cal-13 14 endar year, the Secretary shall provide for 15 an enrollment period of 30 days to any individual enrolled in such plan beginning on 16 17 the date of such termination. 18 "(iv) Individual no longer in AREA.—An individual terminating resi-19 20 dence in a medicare market area may ter-21 minate enrollment with the medicare health plan of such area as of the begin-22

ning of the first calendar month following

the date on which the request is made for

such termination, and the Secretary shall

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provide for an open enrollment period of 30 days to such individual for enrollment in the new medicare market area in which such individual resides beginning on the date of such termination. In the case of an individual's termination of enrollment, the medicare health plan shall provide the individual with a copy of the written request for termination of enrollment and a written explanation of the period (ending on the effective date of the termination) during which the individual continues to be enrolled with the plan and may not receive medicare benefits other than through such plan.

"(v) EFFECTIVE DATE OF NEW EN-ROLLMENT.—Enrollment under clause (iii) or (iv) shall be effective 30 days after the end of the enrollment period, or, if the Secretary determines that such date is not feasible, such other date as the Secretary specifies.

"(D) DEFAULT ENROLLMENT.—

"(i) IN GENERAL.—If an individual does not choose an enrollment option dur-

1	ing an enrollment period under this para-
2	graph, such individual shall be automati-
3	cally enrolled in—
4	"(I) the same option into which
5	such individual enrolled in the preced-
6	ing enrollment period, or
7	"(II) if the individual was not en-
8	rolled in such preceding period, the
9	medicare fee-for-service.
10	"(ii) No medicare health plans in
11	AREA.—If there are no medicare health
12	plans in the medicare market area in
13	which the individual resides, such individ-
14	ual shall be automatically enrolled in the
15	medicare fee-for-service.
16	"(3) Information regarding medicare op-
17	TIONS IN MARKET AREA.—
18	"(A) IN GENERAL.—The Secretary shall
19	provide each individual making an enrollment
20	decision during any enrollment period described
21	in paragraph (2) with the following information,
22	in comparative form, regarding the medicare
23	health plans and medicare fee-for-service avail-
24	able in the medicare market area in which such
25	individual resides:

1	"(i) The individual's premiums,
2	deductibles, and copayments for medicare
3	benefits.
4	"(ii) The individual's premiums,
5	deductibles, and copayments for any sup-
6	plementary benefits.
7	"(iii) Enrollee restrictions, including
8	provider limitations.
9	"(iv) Quality information, including
10	enrollee satisfaction and health outcomes.
11	"(v) Out-of-area coverage provided.
12	"(vi) Coverage of emergency services
13	and urgently needed care.
14	"(vii) Appeal rights of enrollees.
15	"(viii) Any other necessary informa-
16	tion as determined by the Secretary.
17	"(B) MARKETING REQUIREMENTS.—The
18	Secretary shall prescribe the procedures and
19	conditions under which a medicare health plan
20	that has entered into a contract with the Sec-
21	retary under this section may inform individ-
22	uals eligible to enroll under this section with the
23	plan about the plan. No brochures, application
24	forms, or other promotional or informational
25	material may be distributed by such plan to (or

1	for the use of) individuals eligible to enroll with
2	the plan under this section unless—
3	"(i) at least 45 days before its dis-
4	tribution, the plan has submitted the mate-
5	rial to the Secretary for review,
6	"(ii) the material is made available to
7	all individuals eligible to enroll in the medi-
8	care health plan in the medicare market
9	area, and
10	"(iii) the Secretary has not dis-
11	approved the distribution of the material.
12	The Secretary shall review all such material
13	submitted and shall disapprove such material if
14	the Secretary determines, in the Secretary's dis-
15	cretion, that the material is materially inac-
16	curate or misleading or otherwise makes a ma-
17	terial misrepresentation.
18	"(4) Risk adjustments.—
19	"(A) IN GENERAL.—The Secretary shall
20	adjust the payments made to medicare health
21	plans and employer-sponsored health plans
22	under this title to reflect the relative health
23	risks of classes of beneficiaries enrolled in such
24	plans in the medicare market area. The Sec-
25	retary shall, at a minimum, define appropriate

classes of beneficiaries, based on age, sex, disability status, eligibility under title XIX, and such other factors as the Secretary determines to be appropriate, so as to ensure actuarial equivalence and the efficient delivery of health care. The Secretary may add to, modify, or substitute for such classes, if such changes will improve the determination of actuarial equivalence. The Secretary may enter into risk sharing arrangements in a medicare market area, if the Secretary determines it to be appropriate.

"(B) Penalties for discrimination.—
The Secretary shall prescribe the procedures and conditions under which the Secretary shall impose financial penalties on medicare health plans or employer-sponsored health plans that knowingly violate the prohibition against discrimination against potential enrollees based on their health status, claims experience, medical history, or other factors that are generally related with utilization of health care services.

"(5) PAYMENTS TO PLANS.—

"(A) IN GENERAL.—The Secretary shall forward to each medicare health plan or employer-sponsored health plan the medicare per

capita rate for the medicare market area, as determined under subsection (e), for every beneficiary enrolled in such plan for that month, excluding any beneficiary premium but reflecting any adjustments required pursuant to paragraph (4)(A).

"(B) COLLECTION OF BENEFICIARY PRE-MIUMS AND REBATES.—

"(i) PREMIUMS.—Each medicare health plan or employer-sponsored plan shall be responsible for collecting premiums owed by beneficiaries for enrolling in such plan, including premiums for medicare benefits and any supplementary benefits.

"(ii) Rebates.—Any medicare health plan or employer-sponsored plan which charges a monthly premium which is less than the medicare per capita rate for an enrollee shall be responsible for paying to such enrollee a rebate equal to the excess medicare per capita rate or may use such rebate to offset any premium owed by the enrollee for any supplementary benefits selected by the enrollee.

1	"(C) Source of Payment.—The amounts
2	paid to medicare health plans and employer-
3	sponsored health plans shall be made from the
4	Federal Hospital Insurance Trust Fund and
5	the Supplementary Insurance Trust Fund
6	based on an allocation determined by the
7	Secretary.
8	"(e) MEDICARE PER CAPITA RATE.—
9	"(1) ANNOUNCEMENT.—With respect to each
0	medicare market area, the Secretary shall announce,
11	not later than October 1 (beginning with 1995) the
12	per capita rate that will apply to such market area
13	beginning with the enrollment year (which coincides
4	with the next calendar year).
15	"(2) PER CAPITA RATE.—
6	"(A) IN GENERAL.—Except as provided in
17	subparagraphs (B), (C), and (D), the per capita
8	rate for a medicare market area shall be equal
19	to the lesser of—
20	"(i) the excess of—
21	"(I) the benchmark premium for
22	such area, over
23	"(II) the base beneficiary pre-
24	mium for such area; or
25	"(ii) the maximum per capita rate.

1	"(B) Exception.—For individuals eligible
2	for medicare benefits prior to January 1, 1999,
3	the per capita rate for a medicare market area
4	shall be equal to the lesser of the maximum per
5	capita rate or the sum of—
6	"(i) the excess of—
7	"(I) the benchmark premium for
8	such area, over
9	"(II) the base beneficiary pre-
10	mium for such area, and
11	"(ii) the applicable percentage of the
12	excess of—
13	"(I) the fee-for-service per capita
14	costs (hereafter in this section re-
15	ferred to as 'FFSPCC') for such area,
16	over—
17	"(II) such benchmark premium.
18	For purposes of the preceding sentence, the ap-
19	plicable percentage shall be determined by the
20	following table:
	Applicable "Enrollment year: Percentage:
	1996
	1997
	1999
	2000 and thereafter 50.
21	"(C) SECONDARY PAYER PER CAPITA
22	PATE —For individuals who are climble for see
	RATE.—For individuals who are eligible for sec-

ondary coverage under this title pursuant to section 1862(b) and elect to enroll in an employer-sponsored health plan, the Secretary shall determine a per capita rate for each medicare market area equal to the costs of providing secondary coverage to all individuals in such market area divided by the number of individuals eligible for such coverage in such market area.

"(D) RURAL ENROLLEES.—

"(i) FIVE-YEAR BONUS.—For enrollment periods beginning in 1996 through 2000, the per capita rate in each medicare market area (otherwise determined under this paragraph) shall be increased by 10 percent with respect to each individual enrolling in a medicare health plan or employer-sponsored health plan who resides in an underserved rural area within such market area, as determined by the Secretary.

"(ii) IMPROVE ACCESS.—The bonus amount paid under this subparagraph shall be used by such health plans to improve access and coordinated service delivery in

1 the underserved rural area in which the 2 enrollee resides. The bonus amount shall not reduce the premiums owed by the en-3 rollee for medicare benefits or any supple-4 5 mentary coverage. 6 "(iii) STUDY AND RECOMMENDA-7 TIONS.—The Secretary shall report to the 8 Congress at the end of the 5-year period described in clause (ii) on the status of 9 10 health care access in underserved rural 11 areas and shall make recommendations regarding continuation of bonus per capita 12 13 payments. "(E) CALCULATION REQUIREMENTS.—The 14 15 FFSPCC shall be calculated directly to accu-16 rately reflect the costs of providing care in the fee-for-service system. The FFSPCC shall not 17 18 be derived from the removal of medicare health 19 plan payments and enrollees from total pay-20 ments and enrollees. 21 "(3) MAXIMUM PER CAPITA RATE.— "(A) IN GENERAL.—Except as provided in 22 23 subparagraph (E), the maximum per capita rate in any medicare market area shall be the 24

excess of—

1	"(i) the product of—
2	"(I) FFSPCC in all medicare
3	market areas, and
4	"(II) an adjustment factor for
5	such market area, over
6	"(ii) the base beneficiary premium in
7	such market area.
8	"(B) ADJUSTMENT FACTOR.—For pur-
9	poses of subparagraph (A)(i)(II), and except as
10	provided in subparagraph (D):
11	"(i) FFSPCC ratio less than .8.—
12	For medicare market areas with a
13	FFSPCC ratio less than or equal to .8, the
14	adjustment factor shall be .8.
15	"(ii) FFSPCC RATIO BETWEEN .8
16	AND .95.—For medicare market areas with
17	a FFSPCC ratio less than .95 but greater
18	than .8, the adjustment factor shall be the
19	sum of .85, plus—
20	"(I) .1, multiplied by
21	"(II) the ratio of the excess of
22	the FFSPCC ratio over .8, to .15.
23	"(iii) FFSPCC RATIO BETWEEN .95
24	AND 1.05.—For medicare market areas
25	with a FFSPCC ratio of at least .95 but

1	less than 1.05, the adjustment factor shal
2	be the FFSPCC ratio.
3	"(iv) FFSPCC RATIO BETWEEN 1.05
4	AND 1.2.—For medicare market areas with
5	a FFSPCC ratio of at least 1.05 but less
6	than 1.2, the adjustment factor shall be
7	the sum of 1.05, plus—
8	"(I) .1, multiplied by
9	"(II) the ratio of the excess of
10	the FFSPCC ratio over 1.05, to .15
11	"(v) FFSPCC RATIO GREATER THAN
12	1.2.—For medicare market areas with a
13	FFSPCC ratio greater than or equal to
14	1.2, the adjustment factor shall be 1.2.
15	"(C) FFSPCC RATIO.—For purposes of
16	subparagraph (B), for each medicare market
17	area, the Secretary shall determine a FFSPCC
18	ratio by dividing FFSPCC in such market area
19	by FFSPCC for all medicare market areas.
20	"(D) BUDGET NEUTRALITY.—The Sec-
21	retary shall change the adjustment factors as
22	necessary to ensure that total spending under
23	this title shall not exceed the level of spending
24	that would occur if the maximum per capita

rate in each medicare market area were equal to the FFSPCC in each such market area.

"(E) ALTERNATIVE FORMULA.—The Secretary may substitute an alternative formula for determining the maximum rate in each medicare market area. Such an alternative formula shall generally conform to the pattern of adjustment factors specified in subparagraph (B), except that such formula shall maintain a consistent mathematical relationship between the adjustment factor and the FFSPCC ratio in each such market area in a manner that achieves budget neutrality.

"(F) STUDY AND RECOMMENDATIONS.—
The Secretary and the Physician Payment Review Commission shall report to the Congress every 2 years (beginning in 1997) on the method for determining the maximum per capita rate and the experience of each medicare market area with the formula. The Secretary and the Physician Payment Review Commission shall make recommendations regarding the appropriateness of basing the maximum per capita rate formula on fee-for-service per capita costs. The Secretary and the Physician Pay-

1	ment review Commission snan also examine the
2	appropriateness of implementing urban and
3	rural adjusters to the maximum per capita rate
4	formula.
5	"(4) DEFINITIONS.—For purposes of this sub-
6	section:
7	"(A) BENCHMARK PREMIUM.—The bench-
8	mark premium for a medicare market area shall
9	be equal to the sum of—
10	"(i) the lowest health plan monthly
11	premium submitted by a medicare health
12	plan in such area for the enrollment year,
13	and
14	"(ii) the applicable percentage of the
15	excess of—
16	"(I) the average of all medicare
17	health plan premiums submitted in
18	such area, over
19	"(II) the lowest health plan pre-
20	mium in such area.
21	For purposes of the preceding sentence, the ap-
22	plicable percentage shall be determined by the
23	following table:
	#Enrollment year: Applicable 1996
	1998

	1999 and thereafter 20.
1	"(B) FEE-FOR-SERVICE PER CAPITA
2	COSTS.—The Secretary shall determine
3	FFSPCC for a medicare market area by
4	dividing—
5	"(i) the total spending for medicare
6	benefits (not including beneficiary cost
7	sharing) for individuals who reside in such
8	area, who are not enrolled in a medicare
9	health plan or employer-sponsored health
10	plan, and who are not in secondary payer
11	status, by
12	"(ii) the number of such individuals.
13	The Secretary shall make such other adjust-
14	ments as may be necessary to allow an accurate
15	comparison of FFSPCC for the medicare mar-
16	ket area with premiums charged by medicare
17	health plans in such area.
18	"(f) BENEFICIARY PREMIUMS.—For purposes of this
19	section:
20	"(1) Base beneficiary premium.—The base
21	beneficiary premium for each medicare market area
22	shall be equal to the product of—
23	"(A) the premium determined under sec-
24	tion 1839, and

1	"(B) the FFSPCC for such area divided
2	by the average national FFSPCC, as deter-
3	mined by the Secretary.
4	"(2) Monthly Premiums.—
5	"(A) IN GENERAL.—To be enrolled for
6	coverage in a medicare health plan or medicare
7	fee-for-service during an enrollment year for
8	medicare benefits, each beneficiary shall pay a
9	monthly premium equal to the excess of—
10	"(i) the premium charged by the plan
11	(determined under subsection (d)(1)) or
12	the fee-for-service (determined under sub-
13	paragraph (B)), over
14	"(ii) the medicare per capita rate in
15	the medicare market area in which the
16	beneficiary resides.
17	"(B) Fee-for-service beneficiary pre-
18	MIUM.—
19	"(i) In general.—For beneficiaries
20	selecting medicare fee-for-service in a med-
21	icare market area, the monthly premium
22	shall be equal to the excess of—
23	"(I) the FFSPCC for such area,
24	over

1	"(II) the medicare per capita
2	rate for such area.
3	"(ii) EXCEPTION.—For individuals el-
4	igible for medicare benefits prior to Janu-
5	ary 1, 1999, who select medicare fee-for-
6	service for coverage, the beneficiary pre-
7	mium shall equal—
8	"(I) the base beneficiary pre-
9	mium, plus
0	"(II) any additional premium re-
1	quired pursuant to section 1893.
2	"(g) Supplementary Coverage Plans.—
3	"(1) In general.—The Secretary shall ensure
4	that all supplementary coverage plans meet the re-
5	quirements of this subsection, in addition to any re-
6	quirements that may be applicable under section
.7	1882.
.8	"(2) COORDINATION WITH MEDICARE
9	CHOICE.—Supplementary coverage plans may only
20	be offered to beneficiaries during the same annual
21	open enrollment period during which beneficiaries
22	select medicare coverage and must be offered to all
23	beneficiaries in the same medicare market area for
24	the same, uniform monthly premium during the
25	enrollment period.

1	"(3) STANDARD BENEFITS.—
2	"(A) IN GENERAL.—Medicare health plans
3	may only offer standardized supplementary cov
4	erage plans as the Secretary shall prescribe by
5	regulation.
6	"(B) REQUIRED OPTIONS.—Among the
7	standardized plans, the Secretary shall include
8	a plan—
9	"(i) covering only outpatient prescrip
10	tion drugs, and
11	"(ii) which, together with medicare
12	benefits, would resemble coverage typically
13	offered by health maintenance organiza
14	tions to employer groups, including an an-
15	nual out-of-pocket maximum beneficiary li
16	ability (covering coinsurance, copayments
17	and deductibles).
18	"(4) ONE SPONSOR.—A sponsor of supple
19	mentary coverage may not offer such coverage to a
20	beneficiary selecting a medicare health plan from a
21	different sponsor, except that sponsors of supple-
22	mentary coverage may offer such coverage to any in-
23	dividual selecting medicare fee-for-service.
24	"(5) SURCHARGE ON CERTAIN PLANS.—Not-
25	withstanding any other provision of this section, is

1	an individual chooses to purchase a medicare supple-
2	mental policy certified pursuant to section 1882 and
3	the coverage under such policy results in increased
4	costs to the program under this title, the monthly
5	premium otherwise applicable under this section
6	shall be increased by a surcharge actuarially equiva-
7	lent to such increased costs.
8	"(6) Definitions.—The term 'supplementary
9	coverage plan' means any health insurance coverage
10	offered by a medicare health plan or medicare sup-
11	plemental policy (as defined in section 1882) that
12	covers health care costs not covered under as medi-
13	care benefits and for which the enrollee must pay a
14	premium.".
15	(b) Conforming Amendments.—
16	(1) Section 1882(c) of the Social Security Act
17	(42 U.S.C. 1395ss(c)) is amended—
8	(A) by striking "with respect to paragraph
19	(3)" and inserting "with respect to paragraphs
20	(3) and (6)",
21	(B) by striking "and" at the end of para-
22	graph (4),
23	(C) by striking the period at the end of
4	paragraph (5) and inserting " and" and

1	(D) by adding at the end the following new
2	paragraph:
3	"(6) agrees—
4	"(A) to offer such policy during the annual
5	open enrollment period specified in section
6	1876(c)(2) at a uniform monthly premium to
7	all beneficiaries in a medicare market area es-
8	tablished under section 1876(a); and
9	"(B) not to discriminate against bene-
10	ficiaries based on their health status, claims ex-
11	perience, medical history, or other factors that
12	are generally related with utilization of health
13	care services.".
14	(2) Section 1882(s) of such Act (42 U.S.C.
15	1395ss(s)) is amended—
16	(A) by striking paragraph (2),
17	(B) by striking "paragraphs (1) and (2)"
18	in paragraph (3) and inserting "paragraph
19	(1)", and
20	(C) by redesignating paragraph (3) as
21	paragraph (2).
22	(3) Section 1839(e) of such Act (42 U.S.C.
23	1395r(e)) is amended to read as follows:

- 1 "(e) Notwithstanding the provisions of subsection (a),
- 2 the monthly premium for each individual enrolled under
- 3 this part for each month—
- 4 "(1) in 1994 shall be \$41.10,
- 5 "(2) in 1995 shall be \$46.10, and
- 6 "(3) after December 1995 shall be an amount
- 7 equal to 25 percent of the monthly actuarial rate for
- 8 enrollees age 65 and over, as determined under sub-
- 9 section (a)(1) and applicable to such month.".
- 10 (c) EFFECTIVE DATE.—The amendments made by
- 11 this section shall apply to contracts entered into with re-
- 12 spect to calendar years beginning after December 31,
- 13 1995.
- 14 SEC. 4. FEE-FOR-SERVICE COST CONTAINMENT.
- 15 (a) IN GENERAL.—Part C of title XVIII of the Social
- 16 Security Act (42 U.S.C. 1395x et seq.) is amended by add-
- 17 ing at the end thereof the following new section:
- 18 "FEE-FOR-SERVICE COST CONTAINMENT
- "Sec. 1893. (a) IN GENERAL.—Unless Congress oth-
- 20 erwise provides, notwithstanding any other provision of
- 21 this title, payment for services provided to individuals enti-
- 22 tled to benefits under part A and enrolled under part B,
- 23 or enrolled under part B only (other than to individuals
- 24 enrolled in medicare health plans or employer-sponsored
- 25 health plans) (hereafter in this section referred to as 'serv-
- 26 ice payments') shall be subject to an aggregate fee-for-

1	service spending limit in each market area for each cal-
2	endar year, beginning with 1997.
3	"(b) SETTING AGGREGATE FEE-FOR-SERVICE
4	Spending Limits.—
5	"(1) LIMITS FOR EACH MARKET AREA.—By not
6	later than October 1 of each year (beginning with
7	1996), and subject to paragraph (2), the Secretary
8	shall determine and publish in the Federal Register,
9	the fee-for-service spending limits for each medicare
10	market area for the succeeding calendar year.
11	"(2) FORMULA FOR DETERMINING LIMITS.—
12	The Secretary shall calculate such limits by allowing
13	aggregate fee-for-service spending in each medicare
14	market area to increase for—
15	"(A) inflation, as measured by the
16	consumer price index,
17	"(B) changes in the numbers of enrollees
18	described in subsection (a), and
19	"(C) an additional growth allowance of—
20	"(i) 4.0 percent in 1997,
21	"(ii) 3.5 percent in 1998,
22	"(iii) 3.0 percent in 1999, and
23	"(iv) 2.5 percent in 2000 and there-
24	after.
25	"(c) Determining Excess Spending.—

- "(1) IN GENERAL.—The Secretary shall determine the amount of excess spending (if any) for each medicare market area by subtracting the limit determined by the Secretary for such market area under subsection (b) from baseline spending for such market area.
 - "(2) BASELINE SPENDING.—The Secretary shall measure baseline spending for each medicare market area as the aggregate amount of service payments that would be made in such a market area on behalf of individuals in fee-for-service (as defined in subsection (a)) under the provisions of this title without regard to this section.
 - "(3) LOOK BACK.—In determining excess spending for a medicare market area—
 - "(A) the Secretary shall reduce the amount of excess spending for the succeeding year by the amounts in the current or prior years by which aggregate spending fell below the aggregate spending limit for the medicare market area, and
 - "(B) the Secretary shall increase the amount of excess spending for the succeeding year by the amounts in the current or prior years by which aggregate spending exceeded the

1	aggregate spending limit for the medicare mar-
2	ket area.
3	"(d) Enforcing Market Area Aggregate
4	Spending Limits.—
5	"(1) IN GENERAL.—By not later than October
6	1 of each year (beginning with 1996), the Secretary
7	shall determine and publish in the Federal Register
8	adjustments (if any) in service payment rates and
9	beneficiary premiums that are required to eliminate
10	excess spending in the succeeding calendar year in
11	each medicare market area.
12	"(2) SERVICE PAYMENT RATES.—The Secretary
13	shall reduce service payments that would otherwise
14	apply under this title by the percentage that is nec-
15	essary to reduce aggregate service payments in the
16	medicare market area by an amount equal to one-
17	half of the estimated excess spending in the succeed-
18	ing calendar year.
19	"(3) PREMIUM ADD-ON.—The Secretary shall
20	increase the monthly part B premium that would
21	otherwise apply under this title for the succeeding
22	calendar year by an amount that is sufficient to in-

crease aggregate part B premium payments from in-

dividuals (as defined in subsection (a)) by an

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amount equal to one-half of the estimated excess 1 2 spending in the succeeding calendar year. 3 "(e) EXEMPTING LOW-COST AREAS.— "(1) IN GENERAL.—Any medicare market area 4 5 in which fee-for-service spending per individual is below 90 percent of the national average shall be ex-6 7 empt from enforcement of the aggregate spending 8 limit for such market area. 9 BUDGET NEUTRALITY.—The Secretary 10 shall increase the amount of excessive spending in 11 medicare market areas with fee-for-service spending 12 per individual to ensure the application of paragraph 13 (1) does not increase total spending under this title. "(3) HIGH FEE-FOR-SERVICE SPENDING.—Med-14 15 icare market areas with high fee-for-service spending 16 per individual are those areas where spending per individual is higher than 120 percent of all other med-17 18 icare market areas.". (b) Effective Date.—The amendment made by 19 20 subsection (a) shall apply with respect to payments under title XVIII of the Social Security Act in calendar years 21 beginning after December 31, 1995. 22 23 SEC. 5. MEDICARE ADMINISTRATIVE SIMPLIFICATION.

(a) CONSOLIDATION OF PARTS A AND B.—By not

later than October 1, 1995, the Secretary shall submit to

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- 1 the Congress a proposal to consolidate entitlement for part
- 2 A of the title XVIII of the Social Security Act and enroll-
- 3 ment in part B of such title into eligibility or enrollment
- 4 into the entire medicare program under such title. In pre-
- 5 paring such a proposal, the Secretary shall consider phas-
- 6 ing in such a consolidation, and shall ensure that no bene-
- 7 ficiary shall pay higher premiums for coverage under such
- 8 program than under such program as of the date of the
- 9 enactment of this Act.
- 10 (b) Consolidation of Fee-For-Service Adminis-
- 11 TRATION.—
- 12 (1) IN GENERAL.—The Secretary shall take
- such steps as may be necessary to consolidate the
- 14 administration (including processing systems) of
- parts A and B of the medicare program (under title
- 16 XVIII of the Social Security Act), including medi-
- 17 care supplemental policies, over a 5-year period.
- 18 (2) Combination of intermediary and car-
- 19 RIER FUNCTIONS.—In taking such steps, the Sec-
- 20 retary may contract with a single entity that com-
- 21 bines the fiscal intermediary and carrier functions in
- an area. No medicare market area (established
- under section 1876(a)) may be subject to more than
- 24 1 entity.

1	(3) STREAMLINED PROCESSING SYSTEMS.—In
2	carrying out this subsection, the Secretary may
3	ensure—
4	(A) a streamlined, standardized, and
5	paperless process for handling all fee-for-service
6	claims, and
7	(B) that payments under title XVIII of the
8	Social Security Act are made first by the medi-
9	care program and medicare supplemental poli-
10	cies before providers can bill beneficiaries for
11	services using standardized forms.
12	(4) Superseding conflicting require-
13	MENTS.—The provisions of sections 1816 and 1842
14	of the Social Security Act (including provider nomi-
15	nating provisions in such section 1816) are super-
16	seded to the extent required to carry out this sub-
17	section.



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